Council of the ISLES OF SCILLY

Annual Governance Statement

For the year 2018 - 2019

Introduction

Vision, values and behaviours

The Council of the Isles of Scilly's aim:

To work in partnership to create opportunities for all, care for our community and sustain a diverse and skilled economy in harmony with our beautiful landscape.

Productive	Delivering efficient, responsive high quality services that meet the needs of our community; showing initiative, drive and determination and taking accountability for our actions and decisions
Ambitious	Challenging ourselves to be the best we can, taking pride in our islands, our residents, our staff and our services and working as a team to secure the best future for the islands and generations to come.
Collaborative	Acting with integrity and transparency, providing local leadership, engaging and designing services with our community, working jointly with partners, fostering mutual respect, healthy debate and resolving issues together.
Enterprising	Making best use of resources, co-producing new and innovative services, enabling and supporting local businesses, developing confidence in making balanced and considered decisions and risks.

Good Governance is the backbone of the Council's ability to achieve its aim in accordance with these values. It is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It is important for governance arrangements to be proportionate so that wherever appropriate they empower individuals rather than constrain them.

Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that it is used economically, efficiently and effectively. In addition, the Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance arrangements including the system of internal control.

This review of effectiveness is informed by those officers within the Council who have responsibility for the development and maintenance of the governance environment, Internal Audit reports, work of the relevant Council Committees, external auditors and other review agencies and inspectorates.

This Annual Governance Statement has been prepared to meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the 2016 CIPFA/SOLACE Framework: Delivering Good Governance in Local Government ("the Framework"). The Framework requires the Council to have in place a Local Code of Corporate Governance ("the Code"). This statement describes the extent to which the Council complies with its Code and how the Code is consistent with the good governance principles.

In discharging its overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which include arrangements for managing risk.

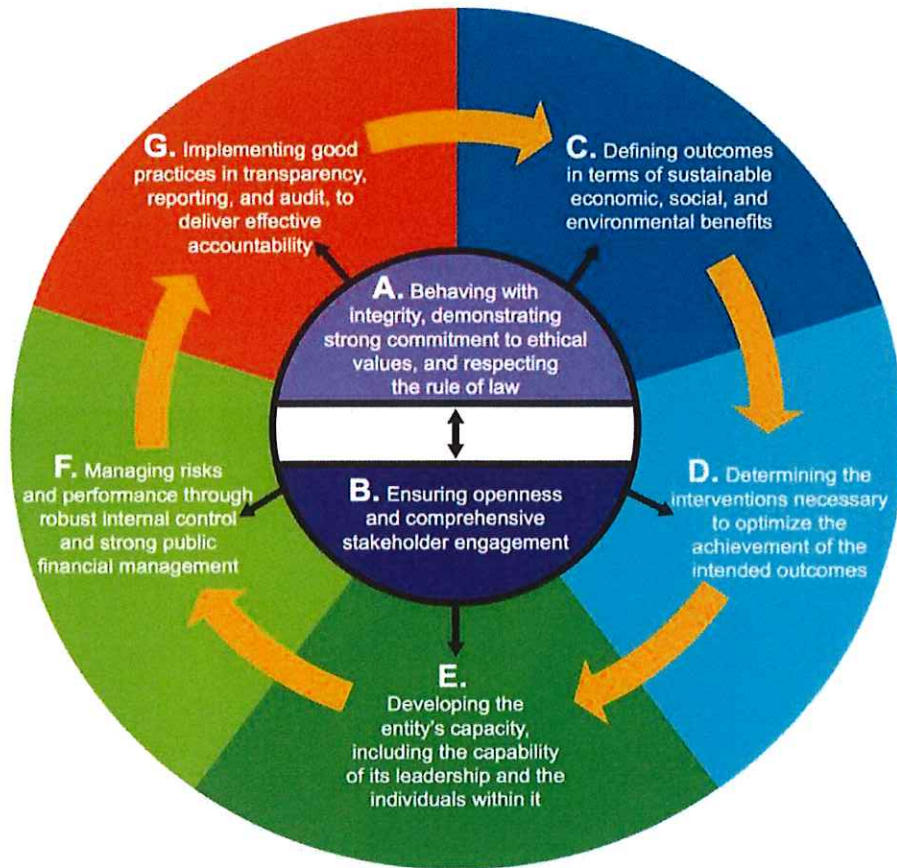# The Purpose of the Council's Code of Governance

The Council's Code of Governance aims to ensure that in conducting its business the Council:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost effective services.

The system of internal control is a significant part of that Code and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The CIPFA/SOLACE framework envisages that the Code will be organised to ensure a continuous process of seven principles based around two core principles (A and B).

The governance framework diagram shows seven elements arranged in a circle:

- **G.** Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
- **C.** Defining outcomes in terms of sustainable economic, social, and environmental benefits
- **A.** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- **F.** Managing risks and performance through robust internal control and strong public financial management
- **B.** Ensuring openness and comprehensive stakeholder engagement
- **D.** Determining the interventions necessary to optimize the achievement of the intended outcomes
- **E.** Developing the entity's capacity, including the capability of its leadership and the individuals within it
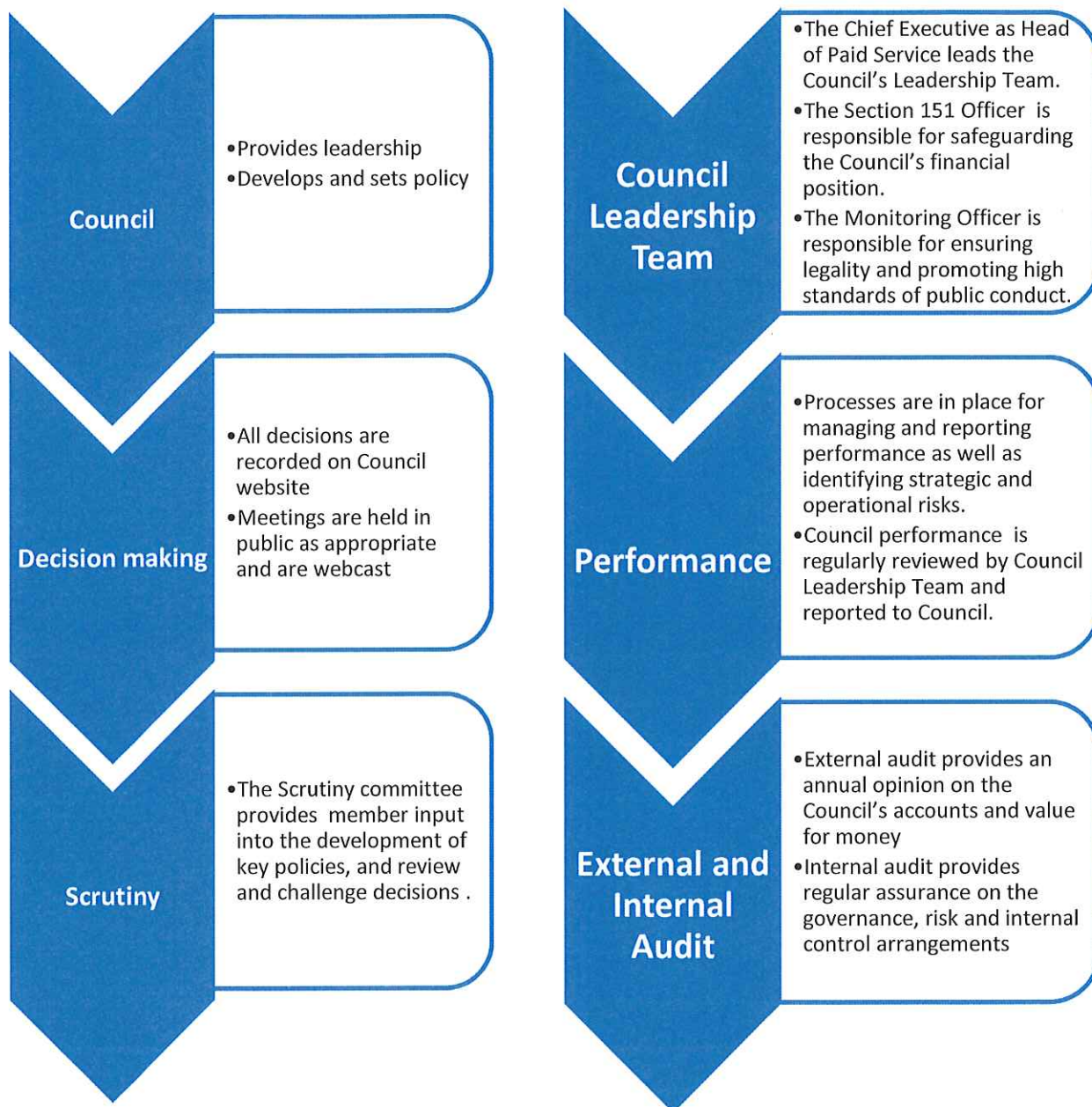
Source: CIPFA/SOLACE

The governance framework and an attendant Code has been in place at the Council for the year ended 31 March 2019 and will continue up to the date of approval of the statement of accounts.

Key elements of our Code of Governance

The Council's Constitution is updated as necessary and sets out how the Council operates. The Council of the Isles of Scilly has strong member involvement in decision-making with Members being particularly close to the community. Our member decision-making structure is set out in the diagram below.

The key elements of the governance arrangements at the Council during 2018/19, in line with the above structure, were:

Council
- Provides leadership
- Develops and sets policy

Council Leadership Team
- The Chief Executive as Head of Paid Service leads the Council's Leadership Team.
- The Section 151 Officer is responsible for safeguarding the Council's financial position.
- The Monitoring Officer is responsible for ensuring legality and promoting high standards of public conduct.

Decision making
- All decisions are recorded on Council website
- Meetings are held in public as appropriate and are webcast

Performance
- Processes are in place for managing and reporting performance as well as identifying strategic and operational risks.
- Council performance is regularly reviewed by Council Leadership Team and reported to Council.

Scrutiny
- The Scrutiny committee provides member input into the development of key policies, and review and challenge decisions .

External and Internal Audit
- External audit provides an annual opinion on the Council's accounts and value for money
- Internal audit provides regular assurance on the governance, risk and internal control arrangements

How we have fulfilled the principles of good governance

Review of the Council's Code of Governance

As above, the Council's Code of Governance is made up of the arrangements that the Council has in place to deliver the requirements of each principle of the Framework. The Code is not a document, it is the sum total of all these systems and processes, culture and values and structures by which the Council is directed and controlled.

In preparing this Annual Governance Statement the Council has:
- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- thereby assessed the effectiveness of the Council's Local Code of Corporate Governance.

This section sets out some key aspects of how the Council's Code has complied with the seven principles set out in the Framework during 2018/19; it is not intended to be exhaustive.

This Annual Governance Statement (AGS) for 2018/19 demonstrates how the Council has complied with the Framework and maintained an effective local Code. It also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, which require the Council to prepare an annual governance statement.

Council of the ISLES OF SCILLY

CIPFA / SOLACE Principles	Summary of governance arrangements
Principle A: *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*	• The Code of Conduct for elected and co-opted Members and the Employee Code of Conduct provide guidance to Members and Officers on the expected standards of behaviour. • The Monitoring Officer assesses and, where relevant, reviews any suspected breaches of the Code. • All complaints made regarding breaches or potential breaches of the Code of Conduct are reviewed by the Scrutiny Committee. • The roles of Full Council, Statutory Officers, and the Scrutiny Committee are clearly defined. • The Member / Officer Protocol provides an effective framework in which Members and officers interact. • The Council has a number of policies such as those relating to Risk Management, Anti-fraud and Corruption and a Complaints Policy that promote ethical behaviours amongst Members and Officers.

CIPFA / SOLACE Principles	Summary of governance arrangements
	• Internal Audit investigates all suspected cases of fraud, corruption, and non-compliance with relevant regulations or policies. • The Council's Corporate Plan sets out integrity and transparency as some of the key values for the Council.
Principle B: *Ensuring openness and comprehensive stakeholder engagement*	• All meetings of Full Council and most of the other Council Committees are webcast or are available on other forms of social media in accordance with the Council's principles for the broadcasting of public meetings. All formal member meetings are open for the public to attend, with agenda papers and decisions being published on the Council's website, in accordance with the legislative framework around openness and transparency • Where the Council undertakes consultation then this is made available on the Council's website. • The Council carries out targeted consultation on key issues such as the Local Plan. • The Council maintains a "latest news" section on its website to communicate key issues to the public and other stakeholders. It also has a number of options for contact including post, telephone, email and social media links. Details of how to make a complaint are also included on the Council's website.
Principle C: *Defining outcomes in*	• The Council's Priorities for the Isles of Scilly were identified through a revised Corporate Plan approved by Full Council. The plan focusses on: - PLACE: Creating a vibrant and sustainable place for now and future generations

CIPFA / SOLACE Principles	Summary of governance arrangements
terms of sustainable economic, social and environmental benefits	- PEOPLE: Building a strong community - GROWTH: Promoting a prosperous, inclusive and sustainable economy - OUR COUNCIL: Organised to deliver • The Council has published a Medium Term Financial Strategy looking four years ahead in order to ensure that the Council's financial situation is sustainable and aligned with plans to deliver its objectives. • The annual internal audit report received by the Scrutiny Committee in September 2018 (relating to the 2017/18 financial year) concluded that the Council has adequate and effective arrangements for risk management, governance and control processes. • The Council is taking appropriate steps to proactively engage with partners and Government in preparation for Britain's intention to exit from the EU.
Principle D: *Determining the interventions necessary to optimise the achievement of*	• The formal statutory powers of intervention of the Monitoring Officer and Section 151 Officer have not been exercised during the reporting period. • A standard reporting template is used to make reports to members is consistently utilised for all committee reports. • The Scrutiny and other committees set out their business in work programmes agreed in public, which support them to discharge their responsibilities. • The Scrutiny Committee is informed throughout the year of the work of Internal Audit. • Monthly financial performance reports are considered in public by the Council with quarterly reports produced which provide wider financial performance information.

CIPFA / SOLACE Principles	Summary of governance arrangements
the intended outcomes	Decisions and actions to address performance issues have been taken and monitored to ensure they have been effective. • The Monitoring Officer, Section 151 Officer and Head of Internal Audit have regular stewardship meetings to monitor assurance across the Council and identify any activity required.
Principle E: *Developing the entity's capacity, including the capability of its leadership and the individuals within it*	• The Council benefits from a wider leadership system through the Cornwall and Isles of Scilly (CIoS) Leadership Board which provides strategic 'place leadership'. The Council is focussed on delivery through partnerships as part of a wider leadership system for Cornwall as a whole. A review the Leadership Board highlighted significant successes in providing joined up leadership for Cornwall and Isles of Scilly (including the development and endorsement of New Frontiers and oversight of measures being taken to ensure Brexit preparedness) and the strengthened organisational relationships that have been achieved through collaborative working. • The Council has been working with the Local Government Association to assess the capacity and capabilities of the Council which are also under review by the Council's interim Chief Executive. • Officer capacity in key governance roles remains strengthened by the arrangements with Cornwall Council for the provision of a Monitoring Officer and Section 151 Officer.
Principle F:	• The Council has a Risk Strategy in place. However this is in need of refresh. • The Council's Internal Audit service carries out a risk based comprehensive programme

CIPFA / SOLACE Principles	Summary of governance arrangements
Managing risks and performance through robust internal control and strong public financial management	of review focussed on providing an opinion on the effectiveness of the risk, governance and internal control arrangements in respect of key priorities. • A review of the Financial Regulations is underway and will be presented for approval by Full Council in the Summer of 2019. • Internal Audit provides assurance on an annual basis on the effectiveness of arrangements for organisational data quality and information governance. • Clear and appropriate arrangements are in place for regular reporting to the Scrutiny Committee by Internal and External Audit; outcomes of internal audit activity are reported to the Scrutiny Committee on an exceptions basis. • The Council's statutory officers (monitoring officer and S151 officer) meet regularly to provide collective assurance that statutory risks and responsibilities are being effectively managed and delivered.
Principle G: **Implementing good practices in transparency, reporting and audit to deliver effective**	• All Council and other Committee meetings are webcast live and remain available for public scrutiny after the date of the meeting. • The new Corporate Plan, approved in 2018/19 is available to view on the internet. • Council and Committee agendas, reports and decisions are published online. • Council and Committee meetings are open to the press and public (other than for exempt items) and are webcast enabling public access after the event. • The Council regularly reports its financial performance against statutory and agreed performance targets. • Outcomes from both external and internal audit activities are regularly reported to the

CIPFA / SOLACE Principles	Summary of governance arrangements
accountability	Scrutiny Committee in public meetings, ensuring that decision-makers can be held to account.

Review of effectiveness

The Council's Leadership Team (including the Monitoring Officer and S151 Officer), has reviewed the effectiveness of the Council's Code of Governance, confirming that the arrangements described in this statement are in place. The Council's review of its Code of Governance is not only an annual process but, in line with best practice, it is conducted continuously, including through regular and ongoing assessment by the Council Leadership Team including the statutory Section 151 Officer and Monitoring Officers.

Outside of some matters highlighted in the final section of this report (below), the Council Directors Team have confirmed that corporate governance processes have been in place and operating as intended throughout the year.

Internal Audit

The Council's Scrutiny Committee received the Head of Internal Audit's Annual Report at its meeting of 4th July 2019. The report set out:

- Operational Assurance
- Overall Assurance
- Annual Head of Internal Audit's opinion
- Summary of significant findings
- Performance indicators for 2018/19
- Grading of Opinions and Recommendations

The overall opinion of the Council's policies, procedures and operations varied between "Good" (4) and "Adequate" (3). None were considered "Weak".

The overall audit opinion is that the Council:

- has adequate and effective risk management;
- has adequate and effective governance; and
- has adequate and effective control processes

The report also set out a number of risk areas

External Audit

External auditors carry out a programme of reviews based upon statutory requirements. The Annual Audit Letter and Audit Findings Report for 2017/18, which included the opinions for the 2017/18 financial statements (unqualified) and value for money (qualified) were published in 2018/19. The Audit Findings Report for 2018/19 will be presented to Full Council along with the statement of accounts at its meeting in July.

Conclusion

The Council's governance arrangements are regarded as generally fit for purpose and are in accordance with the governance framework. The Council is committed to maintaining these arrangements and ensuring that the improvements required are prioritised and sufficiently resourced. The next section of this report highlights some issues arising for attention and areas recently addressed.

Chairman   Date   25th July 2019

Interim Chief Executive   Date   25th July 2019

Council of the ISLES OF SCILLY

Governance Actions

The Council's Code of Governance includes arrangements to enable the Council to consider any risks which may occur to the effectiveness of its governance arrangements, so it can plan for and mitigate or avoid those risks materialising.

Some issues arise over a shorter timescale which are considered significant enough during the year that they should be reflected in the Council's Annual Governance Statement. Below is an update against such issues identified in the 2017/18 Annual Governance Statement, and a list of issues identified during 2018/19 with a brief account of the action which has been, or will be, taken to address them.

When considering whether an issue from last year is 'ongoing' (and should therefore be added to this year's list of 'significant governance issues'), it is relevant to consider both the level of progress and whether governance arrangements have now been put in place to ensure that any further improvement necessary will be managed and monitored as part of the Council's 'business as usual' operation. In other words, has the Code of Governance been updated to take account of the issue, and is the issue still acute? Where there has been progress and systems are in place to monitor and manage further work, an issue will not generally still be considered open.

Progress of actions identified in 2017/18 Annual Governance Statement

No.	Issues identified in 2017/18	Progress as at March 2019	Senior Responsible Officer
1.	**Financial Control, Capability and Systems** Ensuring the Council maintains an appropriate level of General Fund balance Improving budgetary control and reporting to Members Developing a Medium Term Financial Strategy Ensuring robust cashflow forecasts Strengthening financial management and support through the finance team arrangement with Cornwall Council	**Ongoing** The Council started 2018/19 with a General Fund balance of £0.802m. The Council's MTFS indicates that this should increase to nearer £2m between 2018/19 and 2021/22 Council now receives monthly budget monitoring reports and quarterly reports including wider financial performance information The Council has a MTFS covering the period 2018/19 – 2021/22 Cashflow forecasts are routinely updated and inform treasury management decisions Cornwall Council have appointed a dedicated "Isles of Scilly Finance Manager" who is supported by two management accountants and who regularly meets with key Isles of Scilly Council Officers to support financial management	S151 Officer
2.	**Adult Social Care** Progress of the Sustainable	**Ongoing** Work is currently being undertaken by a consultancy	Senior Manager – Services to our Community

				Council Leadership Team

			Transformation Plan for Cornwall and the Isles of Scilly	(Newton Europe) to redefine the strategic case for the integration of Health and Adult Social Care – "Shaping our Futures"
3.	**Corporate Plan and Organisational Development** Requirement to review the Corporate Plan		**Ongoing** The Council refreshed its Corporate Plan in 2018/19 which set out the priorities for the Council. Progress against those priorities needs to be clearly reported during 2019/20.	

Significant governance issues 2018/19

No.	Issue identified in 2018/19	Actions to address the issue	Senior Responsible Officer
1.	**Active Scilly – Income generation**		
2.	Grants – Policy and Procedures	The Council will develop a single policy and procedures document that defines the process for managing projects including the process for grant funding	S151 Officer
3.	Council Tax and Business Rates	The Council will regularly assess its Council Tax and Business Rates records to ensure all properties are included and that holiday lets will be assessed for trade waste liabilities	S151 Officer
4.	**Sickness Management**		
5.	Budgetary Control – Financial Regulations	Budget responsibilities will be included in the Council's Financial Regulations	S151 Officer
6.	Property Maintenance – Operational Services capability, job allocation and control and recharges		
7.	Health and Safety – Work Sheet Schedule and Health and Safety Responsibility		
8.	Procurement – Contracts register, scheme of delegation and purchase	The contracts register will be routinely checked to ensure it contains all Council contracts. The scheme of	S151 Officer

orders	delegation will be kept under review and the number of invoices processed without a purchase order will be regularly reviewed.

Council of the
ISLES OF SCILLY

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